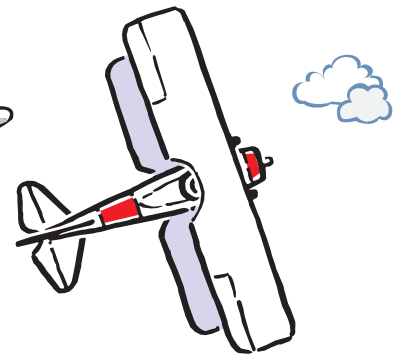


SCHOOL DISTRICT FLYER



Issue 33

A Newsletter of the Office of the Auditor General

July 2005

USING PURCHASING COOPERATIVES



The School District Procurement Rules allow school districts to participate in, sponsor, conduct, or administer a cooperative purchasing agreement for the procurement of any materials, services, or construction with one or more

public procurement units as defined in the Rules. Whether the district procures materials, services, or construction independently or through a cooperative purchasing agreement, the district is responsible for ensuring that the contracts it is purchasing from have been procured and awarded in compliance with the School District Procurement Rules. In the case of cooperatives, performing due diligence fulfills this responsibility.

Due diligence is the process of obtaining documentation evidencing that the procuring entity obtained contracts pursuant to the School District Procurement Rules. The district should document the process used and results of due diligence to support its participation in the cooperative. This is one of the factors we will consider as we review compliance with the USFR. Districts may contact our Office for more information.

THE AUDITORS ARE AUDITED?



You may have wondered if the operations of our Office are ever reviewed by an independent entity.

Government Auditing

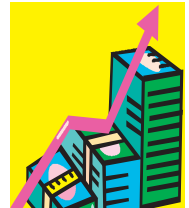
Standards require audit organizations to establish a system of quality control that provides reasonable assurance that standards are followed. This system includes ongoing internal monitoring as well as an external peer review at least once every 3 years. The external peer review encompasses all audits

performed in accordance with *Government Auditing Standards* during a specific time frame.

Our eighth external peer review was performed in August 2004 by the National State Auditors Association. We received an opinion that our Office has an appropriately designed quality control system and that our compliance with the system ensures that we follow *Government Auditing Standards*. These results are the highest mark a state audit organization can receive in such a review.

INCREASED COMPETITIVE SEALED BID THRESHOLD

As required by Arizona Revised Statutes (A.R.S.) §15-213, the Arizona State Board of Education (ASBE) has adjusted the competitive sealed bid threshold by the annual percentage change in the GDP price deflator. Therefore, beginning July 1, 2005, districts must follow the School District Procurement Rules for purchases exceeding \$33,689. See USFR Memorandum No. 213 for more details.



However, effective August 12, 2005, Laws 2005, Ch. 272, §2, removes the bid threshold and the required annual adjustment from A.R.S. §15-213. The statute, as amended, requires the competitive sealed bid threshold to be included in the School District Procurement Rules by the ASBE. The threshold adopted by the ASBE may not exceed the State's procurement threshold prescribed in A.R.S. §41-2535 (currently \$50,000). Districts should continue to use the \$33,689 threshold until such time as the ASBE adopts rules with a new threshold. A USFR Memorandum will be issued when the ASBE adopts rules that include the threshold.

Questions & Answers

Question: How can I reduce the risk that my district will be found in noncompliance with the USFR?

Answer: Districts can and should use the same tools we use to determine a district's compliance to help eliminate deficiencies and reduce the risk that a



district will be found in noncompliance with the USFR. On your own, try completing the USFR Compliance

Questionnaire to see how your district is doing. You and your staff know the risky areas in your processes

better than anyone. If you take the time to look at the requirements and your procedures together, you can make improvements to your processes before deficiencies show up in your audit.

Speaking of audits, also review your district's last audit report to see what deficiencies the auditors cited. Correcting those deficiencies immediately will help prevent the deficiencies from appearing in future audits.

Question: How can Medicaid Reimbursement Fund monies be spent?

Answer: Since districts are accounting for the original expenditures that resulted in the Medicaid reimbursement in the M&O Fund and the reimbursement in the Medicaid Reimbursement Fund (290), the Medicaid reimbursement monies can be spent for any allowable M&O purpose.

SPOTLIGHT ON THE WWW.AZSOS.GOV



SOS, I need to find the School District Procurement Rules! The Secretary of State's Web site at www.azsos.gov is the source for all Arizona State Board of Education rules. Specifically, to obtain the School District Procurement Rules, go to

www.azsos.gov/public_services/Table_of_Contents.htm and find Title 7, Section 2, Article 10. From this site, you may print the rules or save them to your computer.

REMINDER

Biennial Audits

Beginning with FY 2005, districts that have a Maintenance and Operation (M&O) Fund adopted expenditure budget of less than \$2 million but more than \$700,000 must have at least a biennial financial statement audit. This means that an audit of FY 2004 and FY 2005 must be performed after the second year. These reports are due March 31, 2006. See USFR Memorandum No. 204 for more details.

USFR MEMORANDUM UPDATE

Since our last newsletter, we issued four USFR Memorandums (Nos. 210 through 213) as listed below:

Memo No. 210-Reimbursement of Travel Expenses

Memo No. 211-School District Annual Budget Revisions for Fiscal Year 2004-05: Adjustments to General Budget Limit, Unrestricted Capital Budget Limit, Soft Capital Allocation Limit, and Classroom Site Fund Budget Limit



Memo No. 212-Fiscal Year 2005-06 School District Annual Expenditure Budget Forms, Budget Supplement, Budget Summary, Budget Work Sheets, Truth in Taxation Work Sheet, Hearing Notice of Tax Increase, and Instructions.

Memo No. 213-Increased Sealed Bidding Threshold

If you need a copy of these or any other current USFR Memorandums, please visit our Web site at www.auditor.gen.state.az.us/manuals_schooldistrict.htm or call the Office's Accounting Services Division at (602) 553-0333.